

PUBLIC DISCLOSURE

APRIL 1, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

NEEDHAM CO-OPERATIVE BANK

1063 GREAT PLAIN AVENUE
NEEDHAM, MA 02492

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **NEEDHAM CO-OPERATIVE BANK** prepared by the Massachusetts Division of Banks, the institution's supervisory agency, as of **APRIL 1, 2002**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

The bank's overall Satisfactory rating was based on three performance criteria: the Lending Test, the Investment Test, and the Service Test and covers the period January 1, 2000 through December 31, 2001. The bank's performance in each of these areas is summarized below.

Under the Lending Test, the bank is assigned an overall rating of Satisfactory. Approximately 72.0 percent of the bank's mortgage loans and 63.6 percent of the bank's small business loans were made in the assessment area. Lending was adequately distributed throughout the assessment area. The bank's distribution of home mortgage loans among borrowers of different income levels was good, given the assessment area's demographics and in the comparison to the aggregate. The bank's community development lending is also considered reasonable. Fair lending is satisfactory.

Under the Investment Test, the bank is rated Satisfactory. While the bank has not made any recent qualified investments during the current examination period with the exception of charitable contributions, it continues to carry on its books a Mortgage Backed Security (MBS) purchased two years ago and recognized during the previous examination as a qualified investment.

Under the Service Test, the bank is rated "Satisfactory". The bank has demonstrated an adequate responsiveness in providing qualified community development services as defined by the CRA regulation. Needham Co-operative Bank offers services and products tailored to meet the convenience and needs of the entire assessment area.

LENDING, INVESTMENT, AND SERVICE TEST TABLE

The following table indicates the performance level of Needham Co-operative Bank, Needham, Massachusetts, with respect to the lending, investment, and service tests.

PERFORMANCE TESTS Needham Co-operative Bank			
Performance Levels	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory			
Satisfactory	X	X	X
Needs to Improve			
Substantial Non-Compliance			

*Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

PERFORMANCE CONTEXT

Description of Institution

Needham Co-operative Bank was incorporated in 1892 as a state chartered financial institution. As of the December 31, 2001, FDIC Quarterly Call Report, Needham Co-operative Bank had \$386,345,000 in total assets with deposits of \$258,248,000 and total loans of \$255,919,000.

The bank's loan portfolio consists of mortgage loans, commercial real estate loans, and construction and land development loans. Approximately 71 percent of the bank's loan portfolio is in real estate loans, with 64.2 percent of those loans secured by 1-4 family units. The bank maintains approximately 27.8 percent of the loan portfolio in construction and land development loans. Refer to the following table for the distribution of the bank's loan portfolio.

Loan Portfolio Composition

Loan Type	Amount (000s)	Percent
One to Four-Family Residential Mortgages	164,290	64.2%
Construction and Land Development	71,110	27.8%
Commercial Real Estate	17,691	6.9%
Other Revolving Credit Plans	1,614	0.6%
Multifamily Properties	664	0.3%
Commercial and Industrial	550	0.2%
Total Gross Loans	255,919	100.0%

Source: December 31, 2001 Consolidated Report of Condition.

Needham Co-operative Bank is headquartered at 1063 Great Plain Avenue in Needham, Massachusetts and is located in an upper-income census tract. The bank operates three additional full service offices in Medfield, Wellesley, and Westwood. The bank maintains Automated Teller Machines (ATMs) at all of its offices. The ATMs are linked to the CIRRUS and NYCE networks. The bank is also a member of the SUM, an ATM surcharge-free alliance of financial institutions.

The bank has a three-member CRA Committee that meets quarterly and subsequently, reports to the Board of Directors. The members of the CRA Committee include the CRA officer and two directors of the bank. The committee is responsible for keeping the Board of Directors abreast of the bank's outreach efforts, management's efforts to determine community credit needs and ways to help meet those needs.

Competition within the bank's assessment area consists of several local banks, a network of national banks and a large number of mortgage companies. Local banks that compete directly with Needham Co-operative Bank are Citizens Bank, Cambridgeport Bank, Wellesley Co-operative Bank, Middlesex Savings Bank, and Ben Franklin Savings Bank. Sovereign Bank and Fleet Bank also operate within the bank's assessment area. The

market influence from these entities appears to be significant, and as a result, serves to keep the bank's rates and services offered competitive.

Market share information obtained from PCI Services, Inc. CRA WIZ, based on 2000 aggregate performance data, indicates that 286 mortgage companies, savings banks, commercial banks, co-operative banks, and credit unions have originated and/or purchased residential mortgage loans within the bank's assessment area. Needham Co-operative Bank ranked seventh with 2.62 percent of the market share within the assessment area. The top lender in the assessment area in 2000 was Fleet National Bank with a 9.18 percent market share.

Based on the bank's resources, size, product offerings, and branch network, there does not appear to be any legal impediments which inhibit its ability to help meet the various credit needs of the assessment area.

The Commonwealth of Massachusetts Division of Banks and the Federal Deposit Insurance Corporation (FDIC) last examined the bank for compliance with the Community Reinvestment Act concurrently on March 1, 2000. The examination resulted in a CRA rating of "Satisfactory" from both agencies.

Description of Assessment Area

The Community Reinvestment Act (CRA) requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The Office of Management and Budget establishes Metropolitan Statistical Areas (MSA's) for statistical reporting purposes by federal agencies. Needham Co-operative Bank defines its assessment area as the towns of Dover, Medfield, Needham, Wellesley, and Westwood. All five towns are located within Norfolk County and the Boston Metropolitan Statistical Area (MSA). The assessment area is comprised of 16 upper-income census tracts.

According to 1990 U.S. Census data, the assessment area had a total population of 82,175 individuals residing in 28,218 households. Of the households, 11.6 percent are designated as low-income, 9.7 percent as moderate income, 12.4 percent as middle income, and 66.3 percent as upper-income. These percentages contrast sharply with the remainder of the Boston MSA in which 24.0 percent of the population is low-income, 15.9 percent is moderate income, 19.5 percent is middle income, and 40.6 percent is upper income.

The median family income for the Boston MSA for 2000 and 2001 was \$65,500, and \$70,000 respectively. The income figures are based on estimated Department of Housing and Urban Development (HUD) information. Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income

between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

The assessment area is comprised primarily of owner-occupied, single-family residential units. Housing information obtained from CRA WIZ, based on 1990 census data, indicated that there are 28,917 housing units within the assessment area, of which 80.0 are owner-occupied. Approximately 82.4 percent are single family properties, 7.9 percent are two-to-four family units, and 9.1 percent are five or more unit properties. The remaining 0.6 percent is comprised of other property types.

The median housing value in the assessment area is \$302,615. This figure is based on 1990 Census data. However, a more accurate figure was obtained using the year-to-date 2002 housing statistics from the April 4, 2002, Bankers and Tradesman. According to this publication, the median housing value in the five communities served by the bank is \$511,500 and ranges from a low of \$299,000 in the Town of Medfield to a high of \$710,000 in the Town of Wellesley.

The Town of Needham is a suburban community situated on a section of the Charles River and is located ten miles southwest of Boston. Although the town remains a heavily residential community with good access to Boston for commuters, there are many businesses and high technology industries in the Route 128 area that provide employment opportunities.

One community contact conducted during the examination was with an organization whose primary goal is affordable housing for the elderly. The organization stated that there is an immediate need for low-income housing and additional assisted living facilities within the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

LENDING TEST

The institution's Lending Test performance was rated an overall "Satisfactory". The institution's lending efforts are rated under seven performance criteria: Lending Activity, Geographic Distribution, Borrower Characteristics, Community Development Lending, Innovative or Flexible Lending Practices, Fair Lending, and Loss of Affordable Housing. The following information details the data compiled and reviewed, as well as conclusions on the bank's performance.

Scope of Evaluation

The lending test evaluates an institution's record of helping to meet the credit needs of its assessment area based on an analysis of its residential mortgage, small business, and community development loans. Residential mortgage loans and small business loans originated during 2000 and 2001 were included in the bank's performance.

The data used to evaluate the bank's lending was derived from the Home Mortgage Disclosure Act/ Loan Application Register (HMDA/LAR) and the bank's CRA Disclosure Statement.

I. Lending Activity

The bank's lending levels reflect good responsiveness to the assessment area's credit needs. The bank's assets totaled approximately \$386 million as of December 31, 2001. Gross loans totaled approximately \$255 million representing 66.2 percent of total assets.

As of December 31, 2001 the net loan to deposit ratio was 98.1 percent. This ratio has decreased from 98.4 percent on December 31, 2000. The decrease in this ratio is a result of deposits increasing by 5.5%, while net loans increased by 5.1%. An analysis of the bank's September 30, 2001, Uniform Bank Performance Report (UBPR) indicates that the bank's percentage of net loans and leases to assets of 67.6 percent is higher than the bank's national peer group average of 65.5 percent and places the bank in the 53rd percentile. In addition, the bank's percentage of net loans and leases to total deposits of 101.6 percent is higher than its national peer group average of 86.1 percent placing the bank in the 76th percentile. It should be noted that the UBPR determines a peer ratio based on similarly sized banks nationwide without regard to regional or state differences.

HMDA Lending

Needham Co-operative Bank's Loan Application Registers (LARs) were reviewed to determine the amount of credit extended within the bank's assessment area. During the period reviewed, the bank originated 254 HMDA-reportable loans totaling \$77.5 million. Of this amount, 183 loans, or 72.0 percent of the number totaling \$56.8 million or 73.3 percent of the dollar volume were originated in the bank's assessment area.

By number, Needham accounted for the largest percentage of originations with 44.9 percent, followed by Dover with 11.8 percent. Needham also accounted for the largest dollar volume of originations with 42.3 percent, followed by Dover with 16.6 percent. Refer to the following table for additional information regarding the bank's HMDA-reportable lending, by both number and dollar volume.

Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2000	82	74.5%	25,878	73.1%	28	25.5%	9,533	26.9%
2001	101	70.1%	30,950	73.5%	43	29.9%	11,187	26.5%
Total	183	72.0%	56,828	73.3%	71	28.0%	20,720	26.7%

Source: HMDA/LAR, CRA Wiz

Small Business Lending

Needham Co-operative Bank's Small Business Loans Registers (SBLRs) were also reviewed to determine the amount of credit extended within the assessment area. A small business loan is defined as "a loan with an original amount of \$1 million or less that is: secured by non-farm nonresidential properties; or commercial and industrial loans to US addressees, as defined in the FDIC Call Report Instructions."

The bank originated 11 small business loans totaling \$3 million during this period. A total of 7 loans totaling \$1.5 million were originated to businesses within the bank's assessment area, representing 63.6 percent by number and 46.1 percent by dollar volume. Refer to the table below.

Distribution of Small Business Loans Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2000	4	57.1%	918	42.4%	3	42.9%	1,248	57.6%
2001	3	75.0%	661	52.4%	1	25.0%	600	47.6%
Total	7	63.6%	1,579	46.1%	4	36.4%	1,848	53.9%

Source: CRA Data Collection

Overall, the bank's level of HMDA-reportable loans and small business loans reflects a good responsiveness to the assessment area's credit needs based on the resources of the bank and the competitive environment in which it operates.

II. Geographic Distribution

HMDA Lending/ Small Business Lending

Since Needham Co-operative Bank's assessment area consists exclusively of upper-income census tracts, a limited geographic analysis was conducted.

In 2000 and 2001, the bank originated 183 HMDA-reportable loans within the assessment area. These originations were dispersed among all of the upper-income census tracts, with a concentration in Needham.

In addition, the bank's 7 small business loans originated in 2000 and 2001 were well dispersed throughout the assessment area.

III. Borrower Characteristics

HMDA Lending

Needham Co-operative Bank's residential loans were further analyzed to determine the distribution of lending by borrower income level. Borrowers' reported incomes were compared to the median family income of the Boston Metropolitan Statistical Area (MSA). The income figures are based on estimated Department of Housing and Urban Development (HUD) information. The estimated income in the Boston MA-NH MSA for 2000 and 2001 was \$65,500, and \$70,000, respectively.

The following table depicts the number of HMDA-reportable loans granted to low, moderate, middle, and upper-income borrowers in comparison to the number of households in the assessment area in each respective income group.

Distribution of HMDA Loans by Borrower Income							
Median Family Income Level	% Total House holds	2000		2001		Total	
		#	%	#	%	#	%
Low	11.6	3	3.7	1	1.0	4	2.2
Moderate	9.7	3	3.7	7	6.9	10	5.5
Middle	12.4	10	12.2	16	15.8	26	14.2
Upper	66.3	59	72.0	67	66.3	126	68.9
NA	-	7	8.4	10	10.0	17	9.2
Total	100	82	100	101	100	183	100

Source: U.S. Census, HMDA LAR

The bank extended 4 loans to low-income borrowers representing 2.2 percent of total loans and 1.1 percent of total dollar amount originated within the assessment area. These percentages are well below the 11.6 percent of low-income households within the assessment area. Further, the bank extended 10 loans to moderate-income borrowers, representing 5.5 percent by number. These loans represent 2.5 percent by dollar amount of the bank's total originations within its assessment area. The number and dollar amount of loans also fall below the 9.7 percent of moderate-income households within the assessment area.

While the bank's lending to low and moderate-income households is less than their representation within the assessment area, it should be noted that there are often barriers to homeownership for many in the assessment area. The extremely high cost of housing in the more affluent towns that comprise the assessment area makes homeownership difficult for many individuals in lower -income categories.

The distribution of the bank's loans among various borrower income levels was also compared to that of all other HMDA-reporting lenders in the assessment area. As previously mentioned, other HMDA-reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The most recent data available for this analysis is taken from calendar year 2000 and is presented in the following table.

Distribution of HMDA Reportable Loans – Needham Co-operative Bank Compared to All Other Reporters								
Borrower Income Level	Number of Loans				Dollar Amount of Loans			
	Needham Co-operative Bank		All Other Reporters		Needham Co-operative Bank		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
Low	3	3.7	37	1.2	552	2.1	7,281	0.9
Moderate	3	3.7	111	3.6	524	2.0	13,013	1.4
Middle	10	12.2	274	9.0	2,611	10.1	41,819	4.5
Upper	59	72.0	1,996	65.5	19,592	75.7	686,323	74.7
NA	7	8.4	628	20.7	2,599	10.1	170,809	18.5
Total	82	100	3,046	100	25,878	100	919,245	100

Source: 2000 HMDA Aggregate Data

The distribution of the bank's HMDA-reportable loans to low-income borrowers is above that of other HMDA-reporters within the assessment area. The bank originated 3.7 percent by number and 2.1 percent by dollar amount of the total loans to low-income borrowers within the assessment area. By comparison, the aggregate originated 1.2 percent by number and 0.9 percent by dollar amount to low-income borrowers.

Needham Co-operative Bank's lending to moderate-income borrowers at 3.7 percent by number and 2.0 percent by dollar was comparable to that of the aggregate which made 3.6 percent of loans by number and 1.4 percent by dollar amount to borrowers in that income category.

Needham Co-operative Bank ranked second in market share in lending to low-income individuals in the assessment area in 2000. The bank originated 3 loans to these borrowers capturing 7.5 percent of the market. The bank also ranked fifth in 2000 with 3 originations to moderate income borrowers capturing 2.63 percent of the market. The top three lenders to moderate-income borrowers were Fleet National Bank, Countrywide Home Loans, and Bank of America.

The distribution of HMDA-reportable loans by borrower income demonstrates the bank's willingness to lend to borrowers of all income levels, including those of low and moderate income. The bank's assessment area is quite affluent, with approximately 66.3 percent of the households designated as upper-income. Given the low percentage of low and moderate-income households, the bank has made a good effort to lend to these individuals.

Small Business Lending

Small business loans originated within the bank's assessment area were analyzed to determine the loan amount at origination. The majority of the 7 small business loans originated in the bank's assessment area, during the period reviewed, had original loan amounts of \$250,000 or more. The following table depicts the distribution of small business loans by loan amount at origination.

Distribution of Small Business Loans by Loan Size						
Loan Size (000s)	2000		2001		Total	
	#	%	#	%	#	%
< \$100	1	25.0	1	33.3	2	28.6
\$100 - \$250	2	50.0	0	0.0	2	28.6
> \$250 - \$1,000	1	25.0	2	66.7	3	42.8
Total	4	100	3	100	7	100

Source: CRA Data Collection

By dollar amount, 4.2 percent of the loans within the assessment area had amounts less than or equal to \$100,000 and 31.7 percent had loan amounts between \$100,000 and \$250,000. The remaining 64.0 percent had loan amounts greater than \$250,000.

Small business loans originated within the bank's assessment area, during this period, were also analyzed to determine the distribution among businesses of various sizes. The majority of small business loans originated during this period were granted to businesses, whose annual revenues were over \$1 million. Refer to the table below.

Distribution of Small Business Loans by Gross Annual Revenues of Business						
Gross Annual Revenues (000s)	2000		2001		Total	
	#	%	#	%	#	%
<= \$1,000	2	50.0	0	0.0	2	28.6
> \$1,000	2	50.0	1	33.3	3	42.8
Unknown revenues	0	0.0	2	66.7	2	28.6
Total	4	100	3	100	7	100

Source: CRA Data Collection

By dollar amount, 17.0 percent of the loans were made to businesses that had annual revenues less than or equal to \$1 million and 58.9 percent went to businesses that had annual revenues greater than \$1 million. The remaining 24.1 percent were made to businesses with unknown revenues.

Based on the information above, the bank's lending to borrowers of different income levels, including those of low and moderate income, and to businesses of different sizes reflects good performance.

IV. Community Development Lending

Needham Co-operative Bank's community development lending efforts are reasonable for an institution of its size and resources. As defined in the CRA regulation, a community development loan has as its primary purpose: affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, or activities that revitalize or stabilize low and moderate-income geographies. In addition, unless it is for a multifamily dwelling (five or more units), the loan must not be reported as a home mortgage or small business loan.

The bank made one qualified community development loan in 2000 in the amount of \$4,200,000 for the construction of a mixed-income, 24-unit housing development in the Town of Medfield. The housing development consists of 18 condominium units to be sold at market rates and 6 condominium units that are to be sold at below-market rates. The purchasers of the affordable units must have an income of no more than \$40,000. Consequently, the bank receives credit for the affordable housing portion of the development and for the proportionate amount of funds devoted to that section.

V. Innovative or Flexible Lending Practices

Needham Co-operative Bank participates in loan programs aimed at meeting the credit needs of low and moderate-income homebuyers. Details of these programs are as follows.

First Time Homebuyer: The bank offers a first time homebuyer's product to finance the purchase of a one-to-four family, owner-occupied property. The program offers applicants a reduced interest rate, reduced closing costs, no points and relaxed underwriting guidelines. The maximum loan-to-value is 95 percent. Private mortgage insurance is required. There is a maximum loan amount of \$250,000. In 2000, the bank originated 5 loans totaling \$882,000. During 2001, the bank originated 5 loans totaling \$924,200.

Charles River Association of Retarded Citizens: This non-profit corporation, was established in 1964 to provide day, residential, and educational services to mentally retarded individuals. The organization's mission is to develop an individual's independence, a positive self-image, and community integration by offering a variety of vocational, social, and recreational options in a normalized environment. The bank has maintained a close working relationship with this organization since 1993. On May 15, 2000, the bank provided a \$278,100 loan for the purchase of a residential home.

VI. FAIR LENDING POLICIES AND PRACTICES

Needham Co-operative Bank's fair lending performance was reviewed to determine how it conforms to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy.

Needham Co-operative Bank maintains a fair lending policy that addresses issues such as training, outreach, and review and internal controls. It is the bank's policy to provide services that meet the needs of its customers and to serve the needs of its citizens in the communities that make up the bank's lending area.

All bank employees are provided training appropriate to their job description and their responsibilities with respect to fair lending. The CRA Officer and the Compliance Officer implement an ongoing second review process whereby all denied credit applications are evaluated to ensure compliance with fair lending laws and regulations. The CRA Officer has also incorporated into the bank's "self evaluation of CRA performance" an evaluation of fair lending policies and procedures to ensure that they are being followed and that discrimination does not play a part in the operation of the bank.

Minority Application Flow

A review of residential loan applications was conducted to determine the number of applications the bank received from minority individuals. In 2000 and 2001, Needham Co-operative Bank received 213 residential loan applications from within its assessment area. During this period, 7 applications or 3.3 percent, were received from minority applicants.

Needham Co-operative Bank's assessment area contains 82,175 individuals, 4,045 or 4.9 percent of whom are minorities. The assessment area's minority population is 0.02 percent Native American, 2.7 percent Asian, 0.8 percent Black, 1.3 percent Hispanic and 0.05 percent Other. The bank's minority application flow falls slightly below the racial composition of its assessment area. Refer to the following table for details.

MINORITY APPLICATION FLOW								
RACE	Aggregate Data* 2000		Needham 2000		Needham 2001		Needham TOTAL	
	#	%	#	%	#	%	#	%
<i>Native American</i>	7	0.2	0	0.0	0	0.0	0	0.0
<i>Asian</i>	86	2.1	0	0.0	1	0.9	1	0.5
<i>Black</i>	20	0.5	0	0.0	1	0.9	1	0.5
<i>Hispanic</i>	25	0.6	0	0.0	0	0.0	0	0.0
<i>Joint Race</i>	55	1.4	1	1.0	2	1.6	3	1.4
<i>Other</i>	29	0.7	2	2.1	0	0.0	2	0.9
Total Minority	222	5.5	3	3.1	4	3.4	7	3.3
<i>White</i>	2,530	62.3	86	89.6	101	86.3	187	87.8
<i>NA</i>	1,309	32.2	7	7.3	12	10.3	19	8.9
Total	4,061	100.0	96	100.0	117	100.0	213	100.0

*Source: PCI Services, Inc., CRA Wiz Software.

Aggregate information for 2000 indicated that, of the 4,061 HMDA-reportable applications received by all other lenders within the bank's assessment area in 2000, 5.5 percent were from minorities. The bank received 96 applications during that year with 3.1 percent of those applications from minorities.

Needham Co-operative Bank's minority application flow is somewhat lower than that of the aggregate lenders within the assessment area.

VII. Loss of Affordable Housing

The bank's participation in a community development project, along with its first time homebuyer product, has assisted low and moderate-income individuals to remain in their neighborhoods.

CONCLUSION (Lending Test)

Taking into account the number and amount of home mortgage and small business loans in its assessment area, Needham Co-operative Bank has demonstrated an acceptable responsiveness to the assessment area's credit needs. The majority of the bank's loans are made within its assessment area, and the loans are satisfactorily distributed throughout the communities it serves. The bank's lending also demonstrates a good distribution of loans among individuals of different incomes and businesses of different sizes. The institution has made an acceptable effort in meeting its community development obligations. In addition, the bank's fair lending performance was found to be satisfactory at this time. Therefore, the institution's lending performance receives an overall rating of Satisfactory.

INVESTMENT TEST

Overall, Needham Co-operative Bank's investments are determined to be Satisfactory.

As defined under the CRA regulation, a qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. Community development includes affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, and activities that revitalize or stabilize low and moderate-income geographies. In recognition of the many legal limitations on bank investments, and the long-term nature and complexity of many community development investments, the CRA regulation allows some reasonable consideration for the entire bank portfolio of qualified investments; not just those made since the previous CRA examination.

Needham Co-operative Bank has made a limited number of investments during the period examined. Consideration was given to an existing qualified investment purchased in 1999, and still carried on the bank's books; however, no similar qualified investment has been made since that time. Recognition was also given to the bank's charitable contributions, which have been deemed to be adequate for an institution of its size.

Qualified Investments:

Mortgage Backed Securities (MBS)

In 1999, Needham Co-operative Bank purchased a mortgage-backed security that qualified as a community development investment. The security was purchased from the Federal National Mortgage Association (FNMA) and consisted of loans originated by the Massachusetts Housing Finance Agency (MHFA). The original amount of the investment was \$1,612,002. The investment continues to be carried on the bank's books and demonstrates a current book value of \$1,063,944.

Charitable Contributions

Needham Co-operative Bank provided qualified charitable contributions to organizations that provide affordable housing, food pantries and health and human services for low and moderate-income individuals. In 2000 and 2001, the bank made \$14,500 in qualified contributions to organizations such as the following:

- **Charles River Association for Retarded Citizens:** This is a nonprofit social service agency that provides advocacy, a variety of services and housing opportunities to children and adults with mental retardation and related developmental disabilities.
- **Catholic Charities of the Archdiocese of Boston:** An organization dedicated to improving the lives of the poor by offering over 150 social service programs. Its diverse services include food pantries, homeless shelters, counseling centers for families and summer camp for children from low and moderate-income families.
- **Needham Community Council:** This organization reaches people in Needham through its diverse programs. These programs include a food pantry, a second-hand clothes store, transportation to medical appointments and a medical equipment loan closet.
- **Consumer Credit Counseling Service of Southern New England:** A non-profit organization that provides financial counseling and educational programs for families and individuals.

CONCLUSION (Investment Test)

Needham Co-operative Bank's investments have remained stagnant since the last examination. No new investment opportunities have been realized and no additional funds have been invested in qualified community development investment vehicles. The bank has made a minimal amount of charitable contributions for an institution of its size. Based upon this review, the bank's investment performance is considered marginally satisfactory.

SERVICE TEST

The Service Test evaluates an institution's record of helping to meet the credit needs of its assessment area by analyzing the availability and effectiveness of an institution's systems for delivering retail banking services and the extent and innovativeness of its community development services.

Needham Co-operative Bank was found to be Satisfactory in its service performance.

The following describes the institution's services.

Retail Banking Services

Needham Co-operative Bank's main office is located at 1063 Great Plain Avenue in downtown Needham. This location is designated as an upper-income census tract. Other full-service offices are located at 341 Washington Street in Westwood, 520 Main Street in Medfield and 458 Washington Street in Wellesley. These offices are also located in upper-income census tracts.

Hours of operation are reasonable and compare favorably with other local financial institutions. The Westwood and Wellesley offices are open until 7:00 p.m. on Thursdays. In addition, the Needham and Medfield offices are open until 7:00 p.m. on Fridays. All four full service offices are open on Saturdays.

Record of Opening & Closing Branches

Needham Co-operative Bank maintains a formal branch opening and closing policy, which outlines appropriate procedures to be followed, should the decision be made to open or close an office. No offices have been opened or closed since the previous examination.

Alternative Banking Services

The bank maintains ATMs at all of its locations. The ATMs are linked to the NYCE, CIRRUS and SUM networks. In addition, drive-up ATMs are provided at the Medfield and Wellesley offices.

Needham Co-operative Bank offers a Debit/ATM Card, which can be used to purchase goods and services at any establishment or terminal that displays the MasterCard logo. This card can also be used to transfer funds, make deposits or withdrawals at the bank's ATMs. There is no fee charged to customers for the usage of this card. The bank allows four free non-Needham Co-operative Bank ATM transactions per monthly statement cycle. There is a \$1.00 fee charged for any other transactions during this cycle.

Needham Co-operative Bank has a telephone banking service, which offers 24-hour access to customers' accounts. Through this service, customers can check balances, make payments and transfer funds.

The bank offers Passbook and Statement Savings Accounts. Both of these savings accounts have no minimum balance requirement and no monthly fees. The ATM card can be linked to the Statement Savings Account.

The bank has seven bilingual employees on staff. The languages spoken by bank personnel include Spanish, Mandarin Chinese, Thai, Swedish, Urdu/Hindi and Tagalog.

COMMUNITY DEVELOPMENT SERVICES

The CRA regulation defines a community development service as a service that is primarily for community development purposes and is related to the provision of financial services. Needham Co-operative Bank's officers and employees are involved with community organizations that address economic and affordable housing development. Through these involvements, the bank's staff lends their technical expertise, experience and judgment to these organizations. Detailed below are the bank's qualified community development services.

- **Medfield Affordable Housing Committee:** This committee provides affordable housing to low and moderate-income individuals. The committee oversees the ownership of many single-family dwellings. Applicants for these dwellings must meet income requirements. A bank's Vice President serves as the Treasurer.
- **Needham Opportunities Inc:** This nonprofit organization is a subsidiary of the Needham Housing Authority and was formed to stimulate increased job opportunities and housing opportunities for low and moderate-income residents of Needham. A bank's Vice President serves as a member of this organization.

- **Charles River Association for Retarded Citizens:** This is a nonprofit social service agency that provides advocacy, a variety of services and housing opportunities to children and adults with mental retardation and related developmental disabilities. A bank's Vice President serves on the Board of Directors.

Educational Seminars

Needham Co-operative Bank has not participated in any programs designed to educate consumers about banking and products that are available to meet their specific banking needs.

CONCLUSION – (Service Test)

As depicted above, Needham Co-operative Bank's systems for delivering retail-banking services are accessible to geographies and individuals of different income levels in its assessment area. The bank's officers have provided a minimal level of educational and community development services. Therefore, the bank's service activities are considered to be marginally Satisfactory.

APPENDIX A

SCOPE OF EXAMINATION

As of the close of business, April 1, 2002, a review of compliance with applicable consumer and fair lending rules and regulations and a CRA examination, performed under the large institution regulations, was conducted at Needham Co-operative Bank's main office located in Needham, Massachusetts. The examination period reviewed included the years 2000 and 2001. The bank's lending products reviewed at the examination include residential mortgage loans and small business loans. Sixteen census tracts located in the Boston MSA were evaluated.

Needham Co-operative Bank's Investment and Service Tests were also reviewed. Internal analysis generated by management was reviewed during the examination, as was comparative data for the assessment area obtained from CRA WIZ. The examination also included a review of the bank's Public File, which contained no negative CRA-related comments.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

NEEDHAM CO-OPERATIVE BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **APRIL 1, 2002**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.